183 Leader Heights Road · P.O. Box 2726 · York, Pennsylvania 17405
(717) 741-0911 · (800) 233-1957 · Fax (717) 747-7069 · www.vfis.com

VFIS®
A Division of Glatfelter Insurance Group

September 29, 2008

Ms. Nelia Larson
The County of Loudoun, Virginia
Dept. of Financial Services
1 Harrison St., S.E., 5th Floor, PO Box 7000
Leesburg, VA 20177-7000

Dear Ms. Larson:

Over the last few days there has been a significant amount of national news coverage regarding the impact of the sub prime mortgage crisis on American International Group (AIG). Several days ago, New York Governor David Paterson characterized AIG's situation as a "liquidity problem" and said the company remains "extraordinarily solvent".

To assist AIG with its liquidity needs, the Federal Reserve Bank of New York has provided a 24-month loan facility to AIG in the amount of $85 billion. Access to this facility will allow the parent company, AIG to address its immediate liquidity needs.

Questions have been raised regarding how these issues affect the VFIS LOSAP program and in particular, how this issue affects in-force life insurance policies and single premium annuities used to provide the retirement benefits.

It is important to recognize that insurance is a highly regulated industry. All insurance companies doing business in the United States are regulated by state law, and required to maintain enough capital and surplus to satisfy their obligations to their policyholders. The type and quality of investments which insurance companies may invest surplus capital is also limited by state law. Although various companies owned by AIG are part of a larger insurance holding company system, each company is individually responsible for its liabilities associated with the business that it sells. In addition, each insurer is individually regulated by its state of domicile for compliance and financial solvency independent of its parent or affiliates. It is important to note that the guarantees related to individual AIG American General Life policies and annuity contracts are backed by the general account of the respective issuing companies. These general accounts support only the obligations of the AIG American General life insurance companies and are not obligated to support any other AIG businesses.

In the attached release from the National Association of Insurance Commissioners (Sept. 16) the following is noted "We have a strong message for consumers: If you have a policy with an AIG insurance company, they are solvent and have the capability to pay claims. Our job is to ensure that they continue to have the ability to pay".

In closing, we want to assure you that the management of VFIS and its parent Glatfelter Insurance Group will continue to closely monitor the progress of AIG and will take whatever action is appropriate to ensure the protection of our clients.

If you have any questions please do not hesitate to contact me either by e-mail dwyrwas@vfis.com, or phone at 1-800-233-1957

Sincerely,

David F Wyrwas

David F. Wyrwas, CLU, ChFC, CIC, CRM
President

Enclosure

NAIC National Association of Insurance Commissioners **News Release**

FOR IMMEDIATE RELEASE

INSURANCE CONSUMERS PROTECTED BY SOLVENCY STANDARDS

Regulatory Safeguards Offer 'Insurance Policy' in Times of Crisis

KANSAS CITY, Mo. (Sept. 16, 2008) — National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger today issued the following statement in response to the financial issues facing American International Group (AIG):

"We have a very strong message for consumers: If you have a policy with an AIG insurance company, they are solvent and have the capability to pay claims. Our job is to ensure that they continue to have the ability to pay.

"In this particular instance, AIG's insurance subsidiaries are being asked to provide liquid assets to the financially distressed non-insurance parent company in exchange for non-liquid assets. The New York State and Pennsylvania Insurance Departments are working with AIG to review the transaction. State insurance regulators will only approve this type of action if they are assured it is part of a total resolution of the liquidity issue at the parent company and fairly compensates its insurance company subsidiaries.

"As a holding company, AIG is a separate, federally regulated legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. State insurance regulators are committed to protecting the interest of policyholders and will work closely with AIG management and other regulators to fulfill this commitment.

"The No. 1 job of state insurance regulators is to make sure insurance companies operate on a financially sound basis. If needed, we immediately step in if it appears that an insurer will be unable to fulfill the promises made to its policyholders. This includes taking over the management of an insurer through a conservation or rehabilitation order, the goal being to get the insurer back into a strong solvency position.

"State regulators have numerous actions they can take to prevent an insurer from failing. Claims from individual policyholders are given the utmost priority over other creditors in these matters — and, in the unlikely event that assets are not enough to cover these claims, there is still another safety net in place to protect consumers: the state guaranty funds. These funds are in place in all states. If an insurance company becomes unable to pay claims, the guaranty fund will provide coverage, subject to certain limits.

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Contacts

Communications Division
(816) 783-8909
news@naic.org

Scott Holeman
Communications Director

Jeremy Wilkinson
Electronic Communications Manager

Heidi Cline
Communications Specialist

Vanessa Sink
Communications Specialist

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"It is a state insurance regulator's responsibility to protect policyholders and ensure a healthy, competitive market for insurance products. Strict solvency standards and keen financial oversight — based on conservative investment and accounting rules — continue to be the bedrock of state-based insurance regulation."

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About the NAIC

Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace. For more information, visit www.naic.org/press_home.htm.